

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 7449

Investigation Into Vermont Electric Cooperative, Inc.'s)
2008 Integrated Resource Plan)

Order entered: 10/27/2009

ORDER APPROVING POWER-SUPPLY PORTION OF INTEGRATED RESOURCE PLAN

I. INTRODUCTION

This Docket is an investigation of Vermont Electric Cooperative, Inc.'s ("VEC") Integrated Resource Plan ("IRP") that was filed on July 1, 2008. On October 14, 2009, VEC filed a Memorandum of Understanding between itself and the Vermont Department of Public Service ("DPS") regarding the power-supply portion of VEC's IRP ("Power Supply MOU"). In this Proposal for Decision, I recommend that the Public Service Board ("Board") approve the Power Supply MOU and the power-supply portion of VEC's IRP. The Board's acceptance of this recommendation, coupled with the Board's July 31, 2009, Order in this proceeding, would result in approval of VEC's entire 2008 IRP, as modified by the July 31, 2009, Order.

II. PROCEDURAL HISTORY

The early part of the procedural history in this case is described in detail in the Board's July 31, 2009, Order, and need not be repeated here.

On July 31, 2009, the Board issued an Order approving, with modifications, the transmission and distribution ("T&D") portion of VEC's IRP.

After negotiations with the DPS regarding the power-supply portion of VEC's IRP, on October 14, 2009, VEC filed the Power Supply MOU. I am admitting the Power Supply MOU into evidence as Exhibit Joint-2.¹

1. Any party wishing to object to the admission into evidence of the Power Supply MOU should do so in a motion for reconsideration of this Order.

Based on the evidence in this Docket, I hereby report the following findings and conclusions to the Board in accordance with 30 V.S.A. § 8.

III. FINDINGS

VEC's IRP

1. VEC's IRP includes base, high and low 20-year energy and peak demand forecasts. Exh. VEC-1 at 3-1 to 3-18.
2. VEC's IRP includes four energy efficiency savings forecasts. Exh. VEC-1 at 2-9 to 2-10, 3-16 to 3-18, and A-13 to A-17.
3. VEC's IRP includes information regarding VEC's current supply resources and the resource gap that VEC foresees in the future. Exh. VEC-1 at 4-19 to 4-25.
4. VEC's IRP includes information regarding the analyses VEC performed and portfolio options it considered to meet its future power-supply needs. Exh. VEC-1 at 2-1 to 2-14, 5-1 to 7-10.
5. VEC considered numerous supply options in developing its alternative resource portfolio strategies. Exh. VEC-1 at 5-4 to 6-6.
6. VEC used multi-attribute trade-off analysis to evaluate the portfolio strategies. The attributes considered by VEC over the 20-year planning period were: portfolio cost; societal cost; contractual power commitment; emissions; multi-year fuel-price hedge measure; and market-price volatility exposure. VEC also stress-tested the portfolios to evaluate how well the portfolios performed when market prices diverged from the long-term forecast. Exh. VEC-1 at 7-1 to 7-10.
7. VEC's IRP discusses the current condition of VEC's transmission and distribution system and includes a Ten-Year Capital Improvement Plan and a Ten-Year Strategic Capital Work Plan ("Capital Work Plan"). Exh. VEC-1 at 8-1 to 9-48, and exhs. 11.3.1 and 11.3.2.²
8. VEC's IRP includes a description of its vegetation management program. Exh. VEC-1 at 10-3 to 10-6.

2. The Ten-Year Capital Improvement Plan and the Capital Work Plan are labeled in VEC's IRP as Exh. 11.3.1 and Exh. 11.3.2, respectively.

9. VEC's IRP includes a Demand-Side Management Action Plan, a Supply Resource Action Plan, and a T&D Action Plan for implementing the conclusions identified through its IRP analysis. Exh. VEC-1 at 2 to 4, 6 to 7, and 11-1 to 11-15.

Power Supply MOU

10. The Power Supply MOU provides that the power-supply section of VEC's IRP may be approved by the Board pursuant to 30 V.S.A. § 218c(b). Under the terms of the Power Supply MOU, if the Board grants such approval, VEC's entire 2008 IRP would be approved. Exh. Joint-2 at 1.

11. The Power Supply MOU provides that approval of the power-supply section of the IRP will constitute approval of the decision-making process described in that section of the IRP only, and will not constitute approval of any of the specific decision-making tools, analytic methods, or outcomes described. Exh. Joint-2 at 2.

12. Under the terms of the Power Supply MOU, approval of the power-supply section of VEC's IRP will not relieve VEC of its ongoing duty to:

- monitor key uncertainties and the continued accuracy of assumptions and data in the IRP;
- continue to reevaluate the merits of the decision-making processes, including but not limited to the analytic methods used, and to adapt such processes to new techniques or information; and
- continue to reevaluate the merits of its decisions.

Exh. Joint-2 at 2.

13. The Power Supply MOU provides that the term of VEC's IRP began on July 1, 2008, and will extend through December 1, 2011. Exh. Joint-2 at 2.

14. The Power Supply MOU provides that VEC will file its next IRP on or before December 1, 2011. Exh. Joint-2 at 2.

IV. DISCUSSION

30 V.S.A. § 218(c) sets out the statutory standard that VEC's IRP must meet. Section 218(c) describes a "least cost integrated plan" as:

a plan for meeting the public's need for energy services, after safety concerns are addressed, at the lowest possible present value life cycle cost, including environmental and economic costs, through a strategy combining investments and expenditures on energy supply, transmission and distribution efficiency, and comprehensive energy efficiency programs.³

The statute provides that the Board may approve a company's least-cost plan if it complies with the requirements of this definition.

Even though VEC's IRP addresses the multiple areas identified in the statute, because the Board has already approved the transmission and distribution portion of VEC's IRP, this Proposal for Decision focuses only on the power-supply portion of VEC's IRP. While normally review of an IRP would require consideration of the entire IRP — otherwise the plan would not be an *integrated* resource plan — the Board concluded in its July 31, 2009, Order that review and approval of VEC's IRP in phases was warranted given the significant safety concerns regarding VEC's system that were addressed by the transmission and distribution portion of the IRP.⁴

In the Power Supply MOU, VEC and the DPS agree that Board approval of the power-supply portion of VEC's IRP would encompass the decision-making processes included in that section of the IRP, but it would not include the specific decision-making tools, analytical methods, or outcomes described in the IRP. This is consistent with the Board's determinations in its July 31, 2009, Order in this proceeding, and in dockets involving other utilities' integrated resource plans, regarding what Board approval of an IRP means.⁵ For this reason, I am persuaded that the Power Supply MOU's definition of what Board approval of the power-supply portion of VEC's IRP means is reasonable.

After reviewing the power-supply portion of VEC's IRP, I am persuaded that it demonstrates that VEC is considering a broad range of resource options to meet its customers' future power-supply needs at least cost. Furthermore, I recognize that, for over two years, the DPS has been closely involved with VEC and the contractors who have analyzed VEC's business

3. 30 V.S.A. § 218(c)(a)(1).

4. Order of 7/31/09 at 8.

5. See, e.g., Order of 7/31/09 at 8-9; Docket 6854, Order of 3/9/04, *generally*; Docket 6895, Order of 7/13/06 at 8, 10.

processes (some of which related to power-supply management) and the condition of VEC's transmission and distribution system. The DPS has also reviewed VEC's financial capabilities in the context of Docket 7488 (a rate increase request by VEC). With this in mind, I am persuaded that the DPS's and VEC's agreement regarding the power-supply portion of VEC's IRP is reasonable and that the Power Supply MOU should be approved.

In its July 31, 2009, Order, the Board approved the transmission and distribution portion of VEC's IRP, with modifications. If the Board accepts my recommendation today and approves the power-supply portion of VEC's IRP, the Board will have approved, with the modifications in the July 31, 2009 Order, VEC's entire IRP. This is appropriate because, taken as a whole, VEC's IRP, as modified by the July 31, 2009, Order, complies with the statutory requirements for an IRP stated above. That is, VEC's IRP is a plan for meeting VEC's customers' need for electricity services, after addressing safety concerns, at the lowest possible present value life cycle cost, including environmental and economic costs, through a strategy combining investments and expenditures on power supply, transmission and distribution efficiency, and comprehensive energy efficiency programs.

V. CONCLUSION

For the reasons set forth above, I recommend that the Board approve the Power Supply MOU and the power-supply portion of VEC's IRP that was filed on July 1, 2008. If the Board accepts this recommendation, VEC's entire IRP will be approved, with the modifications contained in the Board's July 31, 2009, Order.

In the Power Supply MOU, the parties, in accordance with 3 V.S.A. § 811, waived the opportunity to file comments on a Proposal for Decision in this case, provided that the Proposal for Decision was consistent with the Power Supply MOU. This Proposal for Decision is consistent with the Power Supply MOU, and therefore has not been circulated to the parties for comment.

Dated at Montpelier, Vermont, this 26th day of October, 2009.

s/Ann Bishop
Ann Bishop
Hearing Officer

VI. ORDER

IT IS HEREBY ORDERED, ADJUDGED AND DECREED by the Public Service Board of the State of Vermont that:

1. The findings and conclusions of the Hearing Officer are adopted.
2. The Memorandum of Understanding between Vermont Electric Cooperative, Inc. ("VEC"), and the Vermont Department of Public Service ("DPS") that was filed with the Board on October 14, 2009 ("Power Supply MOU") is approved in its entirety.
3. VEC's entire Integrated Resource Plan ("IRP"), as modified by the Board's July 31, 2009, Order, is approved.
4. VEC shall file its next IRP on or before December 1, 2011.

Dated at Montpelier, Vermont, this 27th day of October, 2009.

<u>s/James Volz</u>)	
)	
)	
)	
)	
)	
<u>s/John D. Burke</u>)	

PUBLIC SERVICE

BOARD

OF VERMONT

OFFICE OF THE CLERK

FILED: October 27, 2009

ATTEST: s/Judith C. Whitney
Deputy Clerk of the Board

NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: psb.clerk@state.vt.us)

Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.